

Message Text

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61/43

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AGR-20 CIAE-00 COME-00 INR-10

LAB-06 NSAE-00 RSC-01 SPC-03 STR-08 TRSE-00 CIEP-02

OMB-01 SSO-00 INRE-00 NSCE-00 SS-20 NSC-10 PA-04

PRS-01 USIE-00 DRC-01 L-03 /118 W

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FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC IMMEDIATE NIACT 1453

LIMITED OFFICIAL USE SECTION 1 OF 2 LA PAZ 6749

C O R R E C T E D C O P Y (PARA 5 LINE 3)

E.O. 11652: N/A

TAGS: ETRD, BL

SUBJ: COTTON CONTRACTS

REF: LA PAZ 6653

SUMMARY: TALKS NEARLY COLLAPSED DUE GREAT DISPARITY BETWEEN ADEPA/GOB AND COOK/RALLI POSITIONS. FOLLOWING DEVELOPMENT OF IMPASSE AFTER MEETING DURING EVENING NOVEMBER 7, ININD/COM GAVE PRESS CONFERENCE WHICH RESULTED IN EMOTIONAL PRESS ATTACK ON COOK: RALLI AND USG. SOME BALANCE LATER RESTORED BY SECOND PRESS STATEMENTS BY MINAG AND MININD/COM. AS RESULT NINAG EFFORTS, TALKS EXPECTED RESUME 8:30 A.M. NOVEMBER 9. END SUMMARY.

1. COOK AND RALLIE HZLD TWO MEETINGS WITH GOB AND ADEPA ON NOVEMBER 7 (USG REPS NOT PRESENT). THE FIRST BEGAN AT 11.15 A.M. WITH GOB ONLY AND ENDED AT 2:30 P.M. SUB-SECRETARY ZAMORANO CHAIRED MEETING AND CALLED FOR BARGAINING. SAID COOK/ RALLI MEMO LEADS TO DIALOGUE OF DEAF, ADDING GOB DECREE COULD NOT BE RESCINDED BUT COULD BE "INTERPRETED" IF TWO SIDES MOVE TOGETHER. COOK/RALLI EMPHASIZED LIMITED OFFICIAL USE

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ONCE AGAIN THAT THEY COULD NOT DEAL ON THE PRODUCED AND SOLD 1973.

CROP BECAUSE IT WAS ALREADY RESOLD AT SMALL MARGIN, BUT COULD BE FLEXIBLE ON 1973 SHORTFALL (QUANTITY CONTRACTED FOR BUT NOT PRODUCED) AND 1974 CROP. ZAMORANO THEN CALLED IN ADEPA REPS, ADELARDO SUAREZ (VICE PRESIDENT), ROLANDO ROCA (DIRECTOR),

HUGO NIEME, JULIO MALKY AND RENE ZALLES (LAWYER). GOB BEGAN PLAY MEDIATOR ROLE. SUAREZ SAID ADEPA HAD SIGNED CONTRACTS WITH COOK AND RALLI WITHOUT HAVING AUTHORITY FROM COTTON FARMZRS AND CLAIMED PANAMANIAN COMPANY, FOMENTO INDUSTRIAL Y COMMERCIAL, DID NOT EXIST.

COOK REPS SAID DID NEXIST AND OFFERED DOCUMENTS TO SHOW IT LEGALLY CONSTITUTED AND REGISTERED. ADEPA REPS QUESTIONED LEGALITY DOCUMENTS. (COOK LAWYER TOLD ECONOFF DOCUMZNT OBTAINED BY ADEPA IN PANAMA INDICATING COMPANY NOT REGISTERED, REVERSED WORDS "COMMERCIAL" AND "INDUSTRIAL" IN PANAMA COMPANY'S NAME).

2. ZAMORANO CALLED FOR PRAGMATIC APPROACH WITH EACH SIDE RESERVING LEGAL RIGHTS. SUAREZ COULD NOT MAKE OFFER AS HAD NO COTTON. SAID FARMERS DELIVERED COTTON TO ADEPA UNTIL THEY DID NOT WANT TO DELIVER ANYMORE.

COOK ASKED HOW ADEPA COULD HAVE HAD AUTHORITY DEAL FOR FARMERS BEFORE IF IT HAD NONE NOW AND IF HAD NONE NOW WAS POINTLESS DISCUSS MATTER WITH ADEPA. CHARGED BAD FAITH. SUAREZ SAID ADEPA WOULD TRY TO PERSUADE FAERMZRS TO DELIVER IF PRICE REASONABLE. COOK/RALLI ASKED FOR ADEPA POSITION IN WRITING.

3. AFTER CAUCUS PERIOD, COOK/RALLI SAID, FOLLOWING ZAMORANO'S ADVISE THEY WOULD MAKE CONCRETE PROPOSAL. SAID WOULD REMAIN FIRM ON ADHERING TO CONTRACT PRICE ON 1973 COTTON BOUGHT AND PRODUCED BUT INCREASE PRICE BY 10 PERCENT FOR 1973 SHORTFALL AND 1974 COTTONJM SAID THESE INCREASED WORTH \$1.6 MILLION. ZAMORANO WELCOMED INITIATICE AND SAID DOOR OPEN TO BARGAINING.

4. FOLLOWING THIS MORNING MEETING COOK REPS NOTED 80 PERCENT OF ZAMORANO'S REMARKS WERE DIRECTED AT ADEPA REPS AND DESIGNED KEEP THEM IN LINE.

5. AFTERNOON MEETING BEGAN AT 5:00P.M. AND CONTINUED UNTIL 7:00 P.M. LIMITED OFFICIAL USE

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SUAREZ CLAIMED COOK/RALLI PROPOSAL BELOW ONE THEY MADE IN AUGUST WHEN

THEY OFFERED \$0.47 PER POUND SHORTFALL. PRESENT OFFER ONLY \$0.395 PER POUND ON SHORTFALL. BARNETT SAID THERE HAD BEEN CHANGE IN MARKET. ZALLES ZSAID WANTED MAINTAIN RELATIONSHIP WITH COOK AND RALLI BUT DUE FORCE MAJEURE COULD NOT ADHERE TOORIGINAL CONTRACTS. CITED DECREE. FINALLY SAID HAD CONTRACT SELL AT \$ 0.82 PER POUND

AND DECREE SET MINIMUM PRICE OF \$0.56 PER POUND, THEREFORE WILLING COMPROMISE AT \$0.69 PER POUND. COOK AND RALLI SAID COULD NOT DO ANYTHING ABOUT 1973. PRODUCED COTTON. BARNETT ASKED WHETHER REMOVAL GOB DECREE WOULD HELP. ZAMORANO AND GASTON VILLA (PRESIDENT'S ECONOMIC ADVISOR) SAID COULD EASE DECREE IF THERE WAS MOVEMENT IN GARGAINING.

6. SUAREZ CHARGED USG HAD NOT HONORED CONTRACTS WHEN PROHIBITED SHIPMENTS COTTONSEED AND SOYA. COOK REPS SAID US WAYEHONORING CONTRACTS. SUAREZ CHARGED SHIPMENTS WERE DELAYED WHICH CONSTITUTED BREACH OF CONTRACT. SAID ARGENTINA HAD COMPLETELY RENEGOTIATED FLOUR COMMITMENTS WITH BOLIVIA. (COOK REPS CHARACTERIZED THIS DISCOURSE AND ADDITIONAL STATEMENTS NOT REPORTED HERE AS "THIRD WORLD" TIRADE). COOK/RALLI SAID THEY COULD BE FLEXIBLE ON SHORTFALL AND 1974 CROP BUT NOT ON COTTON PRODUCED IN 1973. SUAREZ SAID POSITION NOW KNOWN AND WHEN COOK/RALLI WILLING DISCUSS 1973 PRODUCED COTTON, ADEPA REPS WOULD BE WILLING CONTINUE MEETING. SAID ADEPA REPS PLANNED RETURN SANTA CRUZ NOVEMBER 8. COOK AND RALLI SAID THEY ALSO PLANNING LEAVE NOVEMBER 8.

7. MININD/COM WITH ZAMORANO AND GASTON VILLA AT HIS SIDE HELD PRESS CONFERENCE EVENING NOVEMBER 7. RESULTS REPORTED SEPTEL.

8. MINAG CALLED ECONOFF AT 10:15 A.M. NOVEMBER 8 TO SAY HAD MET WITH MININD/COM AND MINAG WOULD HOLD PRESS CONFERENCE IN WHICH HE WOULD CORRECT PRESS DISTORTIONS. EXPLAINED HE WOULD SAY USG HAD NOT APPLIED PRESSURE AND HAD NOT THREATENED "HICKENLOOPER", BUT THAT EXISTENCE LEGISLATION WELL KNOWN AND COOK MIGHT AVAIL ITSELF OF IT, BUT WOULD BE UP TO USG TO DECIDE ON MERITS. ECONOFF

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